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UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

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*Ex parte* CARY LEE BATES and PAUL REUBEN DAY

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Appeal 2007-1775
Application 09/749,106
Technology Center 2600

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Decided: September 19, 2007

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Before JOHN C. MARTIN, JOSEPH L. DIXON, and ST. JOHN COURTENAY III, *Administrative Patent Judges*.

COURTENAY, *Administrative Patent Judge*.

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. § 134(a) from the Examiner's rejection of claims 1-4 and 6-31.[1] We have jurisdiction under 35 U.S.C. § 6(b). We AFFIRM.

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[1] The Examiner has indicated that claim 5 would be allowable if rewritten in independent form (Answer 8).

## THE INVENTION

The disclosed invention relates to the information processing field. More particularly, the invention relates to methods and apparatus for pricing programming events viewed by multiple viewers (Specification 1).

Independent claims 1 and 22 are illustrative:

1. A method for determining a price of a program transmitted by a programming provider to subscribers, comprising:

receiving, via a network connection, a purchase order for a program from a subscriber belonging to a subscriber group defined by two or more subscribers, wherein each subscriber belonging to the subscriber group maintains an independent account with the programming provider whereby the subscriber pays the programming provider in order to receive paid for programming, and wherein each subscriber belonging to the subscriber group may elect to purchase or not purchase the program;

determining a first price for the purchase order if the program has been purchased by a threshold number of subscribers belonging to the subscriber group; and

determining a second price, higher than the first price, if the program has not been purchased by the threshold number of subscribers belonging to the subscriber group.

22. A system comprising:

a plurality of signal processing units each associated with one of a plurality of subscribers, wherein the plurality of subscribers make up subscriber groups each including at least two subscribers; and

a programming provider system connected to the signal processing units and configured to:

transmit fee-based programming events to the signal processing units; and

determine prices of programming event purchased by the plurality of subscribers, wherein a price for each programming event is determined according to a number of purchase orders for the same programming event received from subscribers belonging to a same subscriber group, wherein the price decreases in proportion to increasing orders from different subscribers belonging to the same subscriber group, wherein each subscriber belonging to the subscriber group maintains an independent account with the programming provider whereby the subscriber pays the programming provider in order to receive paid for programming, and wherein each subscriber may elect to purchase or not purchase each programming event.

THE REFERENCES

| | | |
|---|---|---|
| Pallakoff | US 6,269,343 B1 | July 31, 2001 |
| Bonomi | US 6,769,127 B1 | July 27, 2004 |

THE REJECTIONS

Claims 1-4 and 6-31 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over the teachings of Bonomi in view of Pallakoff.

Rather than repeat the arguments of Appellants or the Examiner, we make reference to the Briefs and the Answer for the respective details thereof.

Appellant has the burden on appeal to the Board to demonstrate error in the Examiner's position. *See In re Kahn*, 441 F.3d 977, 985-86, 78 USPQ2d 1329, 1335 (Fed. Cir. 2006) ("On appeal to the Board, an applicant can overcome a rejection [under § 103] by showing insufficient evidence of *prima facie* obviousness or by rebutting the *prima facie* case with evidence of secondary indicia of nonobviousness.") (quoting *In re Rouffet*, 149 F.3d 1350, 1355, 47 USPQ2d 1453, 1455 (Fed. Cir. 1998)). Therefore, we look to Appellants' Briefs to show error in the proffered prima facie case.

Initially, we note that Appellants have presented no arguments directed to the combinability of Bonomi and Pallakoff with each other. Accordingly, Appellants have waived any such arguments, and the combinability of the references will not be addressed here. *See* 37 C.F.R. § 41.37(c)(1)(vii) (2005) ("Any arguments or authorities not included in the brief or a reply brief filed pursuant to Sec. 41.41 will be refused consideration by the Board, unless good cause is shown.").

## STATEMENT OF LAW

"What matters is the objective reach of the claim. If the claim extends to what is obvious, it is invalid under *§ 103*." *KSR Int'l Co. v. Teleflex, Inc.*, 127 S. Ct. 1727, 1742, 82 USPQ2d 1385, 1397 (2007). To be nonobvious, an improvement must be "more than the predictable use of prior art elements according to their established functions." *Id.* at 1740, 82 USPQ2d at 1396. The proponent of a holding of obviousness is required to show

> that a person of ordinary skill in the art would have had reason to attempt to make the composition or device, or carry out the claimed process, and would have had a reasonable expectation of success in doing so. *See Medichem* [*S.A. v. Robalo*, S.L.] 437 F.3d [1157,] 1164 [(Fed. Cir. 2006)]; *Noelle v. Lederman*, 355 F.3d 1343, 1351–52 [69 USPQ2d 1508] (Fed. Cir. 2004); *Brown & Williamson Tobacco Co. v. Philip Morris*, Inc., 229 F.3d 1120, 1121 [56 USPQ2d 1456] (Fed. Cir. 2000); *see also KSR Int'l Co. v. Teleflex Inc.*, 127 S. Ct. 1727, 1740 [82 USPQ2d 1385] (2007) (a combination of elements "must do more than yield a predictable result"; combining elements that work together "in an unexpected and fruitful manner" would not have been obvious).

*PharmaStem Therapeutics Inc. v. Viacell Inc.*, 491 F.3d 1342, 1360, 83 USPQ2d 1289, 1301-02 (Fed. Cir. 2007).

## ANALYSIS

### Independent claims 1 and 15

We consider first the Examiner's rejection of independent claims 1 and 15 as being unpatentable over the teachings of Bonomi in view of Pallakoff. Since Appellants' arguments have treated these claims as a single group which stands or falls together, we will select independent claim 1 as the representative claim because we find it is the broader of the two claims in this group. *See* 37 C.F.R. § 41.37(c)(1)(vii)(2004).

Appellants contend the primary Bonomi reference does not teach a subscriber group having at least two (i.e., a plurality of) subscribers wherein each subscriber belonging to the subscriber group maintains an independent account. Appellants argue that the portion of Bonomi cited by the Examiner

(i.e., Figs. 7A and 8C and column 24, lines 56-57) merely depicts *administration* users and does not refer to subscribers (Br. 12).

Appellants further contend the secondary Pallakoff reference does not teach determining a first price for the purchase order if the program has been purchased by a threshold number of subscribers belonging to the subscriber group, and determining a second price, higher than the first price, if the program has not been purchased by the threshold number of subscribers belonging to the subscriber group, as required by the language of claim 1 and the equivalent language of claim 15 (Br. 10-11). Specifically, Appellants argue that Pallakoff's pricing scheme is based upon "aggregate demand," and not on a threshold number of subscribers (Br. 11).

Appellants acknowledge the Examiner has also suggested that the "Buying Team" described in Pallakoff at column 10, lines 43-56 is a "subscriber group" [2] (Br. 11). In response, Appellants assert that Pallakoff's customers *must actually purchase an item* to become a member of the Buying Team, "thereby affecting the aggregate demand for units sold . . ." (*id.*).

The Examiner disagrees. Regarding the teachings of Bonomi, the Examiner contends that Bonomi's list of customers is a subscriber group defined by two or more customers, as shown in Figure 12A under the heading "CUSTOMER LIST" (Answer 11). In particular, the Examiner notes that Bonomi expressly discloses a subscriber (named "Li Liu") who has an account (i.e., an independent account) with the media system, as

[2] *See* Advisory Action mailed Mar. 23, 2006, p. 2.

shown in the "Account Information" block on the right side of Figure 12A (Answer 11).

As further pointed out by the Examiner, Pallakoff's system notifies the current buying group members that they should tell their friends and family about the offer in order to get more buyers to join the buying group (Answer 9). Specifically, the Examiner points to Pallakoff, at column 10, lines 43-50, where Pallakoff's system sends a message stating: "We need 5 more people to join the Buying Team in order to get the Soccer Balls for only $10 each. Tell your friends!" (Answer 9). Thus, the Examiner finds Pallakoff teaches the feature of a discounted price (e.g., $10 each) according to a threshold number of buyers (e.g., the current number of buyers in the buying team plus five) (Answer 9-10). The Examiner also relies on the following passage in Pallakoff:

> In still other embodiments of this invention, sellers could specify different types of thresholds. For example, sellers could offer a special price if enough people agree to purchase exactly 500 units (in aggregate) of a given item (e.g. because the seller has exactly 500 units to sell). Or they could offer a special price if potential buyers agree to purchase at least 500 units (in aggregate) if the deal goes through (e.g. because the seller has more than 500 units available for sale).

Pallakoff, col. 11, ll. 16-24. (Answer 4, 10.)

The Examiner contends the claims do not require that each subscriber belonging to the subscriber group may elect to purchase the program because of the alternative language "or" as used in the claim [e.g., wherein each subscriber may elect to purchase *or* not purchase the program or programming event] (Answer 10).

In the Reply Brief, Appellants argue that the "price calculations in Pallakoff are based on aggregate demand, which is not a function of a number of buyers" (Reply Br. 3). Appellants point to Pallakoff, at column 7, lines 31-46, where aggregate demand is calculated as the number of balls purchased by a group of buyers (Reply Br. 3). Appellants further contend that Pallakoff's "Buying Team" is not a subscriber group because a buyer in Pallakoff is different from a "subscriber," as claimed. Specifically, Appellants contend that because members of Pallakoff's "Buying Team" must (by definition) be purchasers, then it logically follows that Pallakoff's members cannot *elect to purchase or not purchase*, as required by the language of each independent claim [claims 1, 15, and 22] (Reply Br. 4). Appellants argue that regardless of whether this language is read in the alternative or not (e.g., as merely "wherein each subscriber may elect to purchase . . . ," the meaning is unchanged, i.e., each subscriber as claimed has the power to purchase or not purchase (*id.*).

After carefully considering all of the evidence before us, we begin our analysis by noting that Bonomi teaches a centrally-managed media delivery system that delivers program content, such as video-on-demand, to subscribers (*see* Bonomi, col. 23, ll. 42-45; *see also* col. 5, ll. 47-51). We further note that Bonomi expressly teaches "subscriber accounts" that we find are "independent," i.e., one account per customer (col. 2, l. 40; *see also* col. 21, l. 67 through col. 22, l. 1). Thus, we agree with the Examiner that Bonomi teaches a subscriber group consisting of a plurality of subscribers (*see* CUSTOMER LIST, Fig. 12A) where each customer has an independent account (*see* "Account Information" for "Li Liu" shown at the right of Fig.

12A). Appellants' argument that "a mere list of customers is not a subscriber group because the customers are not identified as being part of an explicit 'subscriber group'" (Reply Br. 5) is not understood. It is evident that the customers identified in this list are subscribers because Bonomi uses the terms "customer" and "subscriber" interchangeably. *See, e.g.,* col. 19, ll. 14-18 ("[E]ach of the subscriber accounts in the media management system can be customized by the administrator or the customer (subscriber) according to a particular service agreement with the customer or preferences set by the customer."). Thus, we find Bonomi's list of customers represents a group of subscribers.

The Examiner looks to the teachings of Pallakoff for the determination of a lower price if purchases have been made by a threshold number of subscribers (i.e., buyers) (Answer 3-4). Appellants contend that Pallakoff's pricing scheme is based upon "aggregate demand," (i.e., demand for a particular number of units) and not on a threshold number of *subscribers* (Br. 11).

We agree with the Examiner that Pallakoff gives examples of basing the price on a threshold number of buyers. One example is for the seller to notify Buying Group members that "[w]e need 5 more people to join the Buying Team in order to get the Soccer Balls for only $10 each" (col. 10, ll. 48-49), in which case the threshold number of buyers equals the current number of members plus five. Another example is to have sellers "offer a special price if enough people agree to purchase exactly 500 units (in aggregate) of a given item (e.g. because the seller has exactly 500 units to sell)" (col. 11, ll. 17-20). A further example is given in the following

passage, which describes offering a lower price for each of a threshold number of buyers to purchase a single amusement park pass:

> Another embodiment of the present invention allows sellers to set both a minimum number of buyers as well as a minimum volume of goods or services sold, and allows the seller to set limits on the amount any one buyer could buy for a given offer. For example, a seller might offer 500 computer modems, and specify "maximum of two modems per person". Alternatively a seller might offer 300 passes to an amusement park, requiring 300 individual buyers (rather than allowing more than one pass per any given buyer).

(Pallakoff, col. 11, ll. 25-33.) A further example is: "Our law firm will do incorporation work for 200 companies, at only $1000 per company" (col. 11, ll. 40-42). Thus, contrary to Appellants' arguments, we find Pallakoff discloses that the price can be based upon a threshold number of purchasers.

Regarding Appellants' argument that Pallakoff's "Buying Team" is not a subscriber group (because a "buyer" in Pallakoff is allegedly different from a "subscriber"), we find the Examiner has relied upon Bonomi for the teaching of a program-purchasing subscriber group, as claimed. Our reviewing court has determined that one cannot show nonobviousness by attacking references individually where the rejections are based on combinations of references. *In re Merck & Co., Inc.*, 800 F.2d 1091, 1097, 231 USPQ 375, 380 (Fed. Cir. 1986). Here, Pallakoff is relied on to show that the prior art included a graduated pricing scheme wherein a lower price is obtained if purchases are made by a threshold number of buyers (*see* Answer 3-4). Pallakoff must be read, not in isolation, but for what it fairly teaches in combination with the prior art as a whole. Our reviewing court has stated: "[t]he use of patents as references is not limited to what the

patentees describe as their own inventions or to the problems with which they are concerned. They are part of the literature of the art, relevant for all they contain." *In re Heck*, 699 F.2d 1331, 1333, 216 USPQ 1038, 1039 (Fed. Cir. 1983) (quoting *In re Lemelson*, 397 F.2d 1006, 1009, 158 USPQ 275, 277 (CCPA 1968)).

Regarding Appellants' argument that Pallakoff's members cannot *elect to purchase or not purchase*, as required by the language of each independent claim (Reply Br. 4), we again note that the Examiner's rejection is based upon the combination of the references. Indeed, we find that Bonomi's video-on-demand subscribers have the power to purchase or not purchase video media:

> The media storage device 206 facilitates the operations of the media delivery center by providing storage space to cache or store the video sources received from the media receiving unit 202. The storage spaces may include a cluster of video servers or stacks of optical or magnetic storage discs, each being labeled accordingly and accessible when contents stored therein are to be delivered.
>
> . . .
>
> The cache area 222 provides a mechanism to buffer the received live video broadcasts (i.e., live assets) for broadcasting to subscribers of the video delivery center. The temporary space 224 provides spaces for the video delivery center to store data for temporary uses, such as a short-term program guide, commercial information, latest programs available for video-on-demand, or any programs that will be deleted after broadcast. The permanent space 226 is typically used by the video delivery center to store assets owned by the video delivery center, *the assets may include purchased movies or other videos available to the subscribers for a fee.*

(Bonomi, col. 9, ll. 5-26).

For at least the aforementioned reasons, we conclude the Examiner's proffered combination of Bonomi and Pallakoff teaches and/or suggests all that is claimed. Therefore, we conclude the Examiner has established a prima facie case of obviousness that has not been persuasively rebutted by Appellants by a showing of insufficient evidence of prima facie obviousness or by rebutting the prima facie case with evidence of secondary indicia of nonobviousness. Accordingly, the Examiner's rejection of representative claim 1 as being unpatentable over Bonomi in view of Pallakoff is sustained.

Pursuant to 37 C.F.R. § 41.37(c)(1)(vii), we have decided the appeal with respect to independent claim 15 in this group on the basis of the selected claim alone. Therefore, we will sustain the Examiner's rejection of independent claim 15 as being unpatentable over Bonomi in view of Pallakoff for the same reasons discussed *supra* with respect to representative claim 1.

Independent claim 22

We consider next the Examiner's rejection of independent claim 22 as being unpatentable over the teachings of Bonomi in view of Pallakoff. The only argument Appellant makes regarding claim 22 is the above-addressed argument, which we have found unpersuasive, that the references fail to disclose or suggest the "subscriber group" limitations. Accordingly, the Examiner's rejection of independent claim 22 as being unpatentable over Bonomi in view of Pallakoff is sustained.

Dependent claims 2-4, 6-14, 16-21, and 23-31

Appellants have not presented any substantive arguments directed to the separate patentability of dependent claims 2-4, 6-14, 16-21, and 23-31. In the absence of a separate argument with respect to the dependent claims, those claims stand or fall with the representative independent claims. *See In re Young,* 927 F.2d 588, 590, 18 USPQ2d 1089, 1091 (Fed. Cir. 1991). *See also* 37 C.F.R. § 41.37(c)(1)(vii)(2005). Therefore, we will sustain the Examiner's rejection of these claims for the same reasons discussed *supra* with respect to independent claims 1, 15, and 22.

DECISION

Based on the findings of facts and analysis above, we conclude that the Examiner did not err in rejecting claims 1-4 and 6-31 under 35 U.S.C. § 103(a) for obviousness based on Bonomi in view of Pallakoff. Therefore, the decision of the Examiner rejecting claims 1-4 and 6-31 is affirmed.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a)(1)(iv).

AFFIRMED

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